



County of Los Angeles **CHIEF ADMINISTRATIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

September 21, 2004

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

MEDICAL, DENTAL, LIFE INSURANCE AND DISABILITY PLANS FOR 2005 (3 VOTES)

JOINT RECOMMENDATION WITH DIRECTOR OF PERSONNEL THAT YOUR BOARD:

1. Approve proposed premium rates for County sponsored plans as follows:
(a) medical and dental rates for represented employees for the period January 1, 2005 through December 31, 2005, as shown in Exhibit I, (b) medical and dental rates for non-represented employees for the period January 1, 2005 through December 31, 2005, as shown in Exhibit II, (c) rates for dependent life insurance for all employees for the period January 1, 2005 through December 31, 2006, as shown in Exhibit III, and (d) continue existing premium rates for the Short-Term Disability (STD) plan, Long-Term Disability (LTD), and LTD Health Insurance plan, as shown in Exhibit IV.
2. Instruct County Counsel to review and approve as to form the appropriate contracts with Blue Cross of California and Blue Cross Life and Health Insurance Company (Blue Cross), Connecticut General Life Insurance Company and CIGNA Healthcare of California, Inc. (CIGNA), Kaiser Foundation Health Plan, Inc. (Kaiser), PacifiCare of California and PacifiCare Life & Health (PacifiCare), Delta Dental Plan (Delta Dental), Private Medical-Care, Inc. (DeltaCare-PMI), SafeGuard Health Plans, Inc. (SafeGuard) and their successors or affiliates, as necessary, for the period January 1, 2005 through December 31, 2005, and instruct the Chairman to sign such contracts.

3. Instruct County Counsel to review and approve as to form an appropriate amendment to the life insurance contract with Life Insurance Company of North America (LINA) and its successors or affiliates, as necessary, incorporating the dependent life insurance rates described in Exhibit III for the period January 1, 2005 through December 31, 2006 and instruct the Chairman to sign such amendment.
4. Approve proposed premium rates and benefit coverage changes for the following Union sponsored plans, as shown in Exhibit V, for the period from January 1, 2005 through December 31, 2005: the Association for Los Angeles Deputy Sheriffs, Inc. (ALADS) plans, the California Association of Professional Employees (CAPE) plans and the Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan.
5. Approve an adjustment in the minimum County contribution under the MegaFlex and Flexible Benefit Plans from \$770 per month and \$559 per month, respectively, to \$810 per month and \$591 per month, respectively, effective beginning January 1, 2005.
6. Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 14, 2005.
7. Adopt the accompanying ordinance amending Title 5 of the Los Angeles County Code to implement the changes recommended herein.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

The current rate guarantees for all County and union-sponsored medical and dental insurance plans end on December 31, 2004. The purpose of these recommendations is to implement premium rates and benefit changes for the 2005 calendar year and make related changes to the minimum County contributions to the cafeteria benefit plans applicable to non-represented employees.

The County maintains employee health, dental and other group insurance programs to promote the effectiveness, health and welfare of its workforce. These insurance programs are based on long term relationships with insurance carriers and many of these relationships are spelled out in the Fringe Benefit Memoranda of Understanding

(MOU) with County unions. Both SEIU Local 660 and the Coalition of County Unions have maintenance of benefit clauses in their fringe benefit MOUs which require that specified carrier relationships and benefit designs be retained during the term of the current MOUs unless otherwise agreed between the County and the union.

The recommendations in Exhibits I and II, regarding the County sponsored medical and dental plans, are the result of negotiations between the affected insurance carriers and a County team comprised of representatives of the Director of Personnel (DHR), Chief Administrative Officer (CAO), and the County's group insurance consultant, Mercer Human Resource Consulting (Mercer). With regards to County sponsored plans governed by Fringe Benefit MOUs with County unions, the unions' own benefit consultants also had significant input into the insurance carrier rate negotiations.

Each year the County, with the assistance of its consultant, Mercer, and with union and union consultant input, where appropriate, engages in an intensive process of analysis and negotiation of the premium rates quoted by carriers for the upcoming contract year. As in previous years, this process for the most part has produced significant savings estimated to exceed \$12 million in 2005. The Kaiser process produced little savings for 2005, but did result in improved understanding of Kaiser's rating of our workforce. Such Kaiser savings, as were achieved, were gained on behalf of non-represented employees and employees represented by SEIU Local 660 through changes in benefit design. Issues related to the Kaiser rating process are discussed in greater detail in the section of this letter on Kaiser rates for represented employees. Kaiser has proposed a framework for future action outlined in the attached letter (Exhibit VI). The proposal, offered after much discussion between County and Kaiser representatives, is an effort (1) to promote more in depth understanding of Kaiser rating methods and the impact of changes in those methods on rates in advance of future rate negotiations, (2) to improve the effectiveness of employee use of Kaiser resources as a basis for mitigating future rate increases, and (3) to develop a more open future working relationship. With your Board's approval, the CAO and Director of Personnel will work with Kaiser management to make this framework a reality.

The negotiated premium rates are concurred with by DHR, the CAO and Mercer. SEIU Local 660 and management representatives have voted in the Labor-Management Benefit Administration Committee (BAC), to recommend premium rates and benefit changes, as shown herein, for employees represented by Local 660. The Coalition of County Unions and management representatives have voted in the Joint Labor-Management Benefit Administration Committee (EBAC), to recommend the proposed premium rates for CIGNA, all of the dental plans and life insurance, as shown herein. EBAC could not reach a consensus on Kaiser's proposed 2005 rates for employees represented by the Coalition of County Unions.

Premium and benefit changes requested by unions which sponsor their own group insurance plans were reviewed by DHR and the CAO. DHR and the CAO jointly recommend changes requested by ALADS, CAPE and Local 1014, as shown in Exhibit V.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the Countywide Strategic Plan by promoting the well being of County employees and their families by offering comprehensive employee benefits.

FISCAL IMPACT/FINANCING

Each cafeteria benefit plan, including represented employee plans provided by MOUs with County unions, provides for a County contribution and, in some cases, an additional subsidy to help pay the cost of insurance benefits. The County contributions and applicable subsidies for employee benefits mentioned, or recommended herein, are included in the 2004-2005 budget. Employees pay for additional costs above and beyond the County contributions and subsidies through payroll deduction.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

Medical Plan Changes Affecting Represented Employees

The current fringe benefit agreements with the Coalition of County Unions and SEIU Local 660 provide, among other things, for the current level of County contributions to the Choices and Options cafeteria plans. These contributions fund part or all of the various benefits employees purchase under the Choices and Options plans, including health, dental, and other group insurance. The fringe benefit agreements also provide for the payment of certain County subsidies toward the cost of group health insurance. As previously negotiated with employee representatives and approved by your Board, the existing County contributions affecting Coalition and Local 660 represented employees will be adjusted in 2005, and the County subsidies will continue. Because subsidies can affect year-to-year differences in rates charged to employees, in many instances the percentage differences in the subsidized rates shown in Exhibit I differ from the unsubsidized carrier changes reported below.

In general, County health plans are rated by carriers based on the respective group utilization of health care by County employees and their covered dependents. In 2004, an ongoing pattern of increases in hospital, medical provider and pharmaceutical costs again drove health insurance costs upward. Nationally, health plan increases are

reported to be in the 9.6% to 13.5% range. Although most County carriers kept their rate increases to a minimum, some premium rate adjustments recommended in Exhibit I to become effective January 1, 2005, will increase sharply from 2004.

Kaiser rates for 2005: For the past five years, Kaiser has been the County's highest priced HMO. To maintain current benefits, as required by County fringe benefit MOUs, Kaiser, the County's most populous health plan, proposed a 2005 increase of 13.3% for represented employees enrolled in the current benefit plan. This amount is considerably above the community rate increase quoted to many customers. To narrow the gap, the County and Mercer questioned the 13.3% increase and asked Kaiser for more information to support it. After several months of intensive negotiations with Kaiser, the rate increase still remained at 13.3%.

Unlike for-profit carriers whose premiums reflect the cost of claims paid to external contract provider networks, plus a charge for administration and profit, Kaiser is a not-for-profit staff model organization which charges premium rates that are based on the revenue it projects it will need to provide services through company owned hospitals and clinics. Because its organization and financial structure differ fundamentally from for-profit carriers, its rating methodology differs fundamentally too. The core of the Kaiser premium is the community rate which represents the average revenue Kaiser projects it needs to provide services to subscribers. Kaiser adjusts that rate up or down to reflect differences in use of its resources by groups of subscribers, such as the Los Angeles County Plans. These adjustments are not based on differences in the direct costs of providing services among those groups, but rather on numbers of patient discharges and similar statistics. Due to those differences, it is not possible to directly link costs to price as it is for the for-profit carriers. To deal with this issue in the future, we recommend that the County require Kaiser to provide considerably more in-depth analysis of its rate development, including analysis of costs driving its rates. We are hopeful that the cooperation which Kaiser proposes in Exhibit VI will achieve that purpose and help mitigate cost increases and improve healthcare in 2006 and beyond.

During this year's negotiations, to bring Kaiser health plan benefits more into line with the PacifiCare HMO plan provided to SEIU Local 660 members, the union chose to make benefit changes, thereby reducing the 2005 premium increase to 9.3% for the Options plan. The Local 660 2005 benefit changes for Kaiser include increasing the emergency room copay from \$5 to \$50 and changing the prescription drug benefit from \$5 for any prescription to a \$5 generic/\$10 brand name copay. We concur that making these benefit changes is likely to reduce the health care premiums for Options participants in the years ahead by encouraging better employee selection of Kaiser health care resources.

The Coalition of County Unions has chosen to retain current plan benefits for 2005 as guaranteed by its Fringe Benefit MOU, and, therefore, will be charged a 13.3% increase in Kaiser's premium rates for the Choices Plan during 2005.

CIGNA Rates for 2005: CIGNA provides an array of three plans to employees represented by the Coalition of County Unions and has proposed a 1.4% increase in premium rates for 2005 for all plan types.

PacifiCare Benefit Changes and Rates for 2005: Employees represented by SEIU Local 660 will experience an increase of 3.5% in PacifiCare's HMO plan for Options, and an increase of 12.2% in the Preferred Provider (PPO) plan for Options. At SEIU Local 660's request, PacifiCare's PPO Plan for Options has been modified to reduce premium increases by: increasing the annual out-of-pocket maximum expenses to \$5,000/individual and \$15,000/family for In-Network, and \$20,000/individual and \$45,000/family for Out-of-Network; increasing the annual deductible to \$1,500/family for In-Network and increasing the annual Out-of-Network deductible to \$1,500/individual, \$3,000/family. PacifiCare is also changing from a \$10 copay for sexual dysfunction drugs to 50% coinsurance, in both the HMO and PPO plans, to be consistent with Kaiser.

Union Sponsored Plan Benefit Changes and Rates for 2005: Premiums for the County approved union-sponsored health plans are also increasing. Proposed 2005 premium rates and benefit changes for the ALADS plans, CAPE plans, and Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan are summarized in Exhibit V (the union letters requesting these changes are appended to Exhibit V). ALADS is proposing premium increases ranging from 7.6% to 10.1%, depending on type of plan and coverage category. CAPE is requesting 5.6% for its Lite Point-Of-Service (POS) plan and between 8.5% and 8.8% for its Classic POS plan. The Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan has proposed some benefit changes, including increasing the annual deductible, increasing the amount of out-of-network coinsurance, and implementing a vision benefit with VSP. With these changes, the Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan is proposing rate adjustments ranging from 13.9% to 15.7%, depending on coverage category. Detailed benefit design changes for the Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan are included in Exhibit V.

Medical Plan Changes Affecting Non-represented Employees

Non-represented employees who participate in the Flexible Benefit and MegaFlex Plans currently have a choice between Kaiser and four Blue Cross health plans, which include an HMO, a Point of Service Plan (POS), a Preferred Provider Plan (PPO), and a Catastrophic Plan. The 2005 rate increases quoted by both carriers are lower than the 2004 carrier rate increases. We recommend that the percentage increases in rates be passed on to Flexible Benefit and MegaFlex Plan participants in 2005, as shown in Exhibit II. We also recommend that the historical County practice of funding any difference between actual costs of these plans and the contribution paid by the employees be continued.

With regard to these plans, we are recommending the following benefit changes effective January 1, 2005:

- A change in Kaiser's emergency room copay from \$15 to \$50.
- Realignment of Kaiser and Blue Cross HMO rates charged to participants so those rates are identical.
- A change in the Blue Cross Catastrophic Plan out-of-pocket maximum from \$5,000/individual and \$10,000/family to \$10,000/individual and \$15,000/family.
- Realignment of Blue Cross Catastrophic Plan tier 2 and 3 rates charged to participants so those rates more closely follow actuarial trend.
- The addition of a \$200 prescription drug deductible for the Blue Cross Catastrophic Plan.
- The addition of a vision benefit to the Blue Cross HMO, POS and PPO Plans.

Plan benefit designs should be refreshed from time to time to encourage appropriate use of plan resources, keep employee costs down, and keep up with current norms. Kaiser's current emergency room copay is low in relation to current norms and the adjustment will encourage better use of available plan resources. The purpose of the Catastrophic plan is to provide a safety net for employees who need only minimum coverage and do not want to pay for more comprehensive benefits. There has been no change of benefit design, other than deductibles, since the Catastrophic plan's inception in 1993 and, as a result, the plan has become more attractive to at risk employees thereby driving up plan costs. The increased out-of-pocket maximums in the Catastrophic plan and the addition of a prescription drug deductible will bring plan

design into line with current norms for such plans. The addition of the VSP eye exam, frame and lens benefit to the Blue Cross Plans will, for the first time, provide non-represented employees a benefit already available to most County employees in similar health plans.

The County monthly contributions for health insurance for 2005 and 2006, for represented Temporary, Part-Time and Recurrent employees, were previously approved by your Board. We recommend extending the same County monthly health insurance contributions to non-represented Temporary, Part-Time and Recurrent employees.

Dental Insurance

The recommended employee contribution rates for represented employee dental plans are shown in Exhibit I and the corresponding rates for non-represented employees are shown in Exhibit II. The 2005 dental rates shown in Exhibit I are the rates quoted by carriers for represented employees, except that in the case of the indemnity dental plan, Delta Dental, the rates have been reduced by the 2005 County subsidies previously negotiated with the unions and adopted by your Board. Past practice has been that comparable treatment be given to the indemnity dental insurance premium rates charged to non-represented employees and we recommend that you continue that practice by adopting the Delta Dental rates charged to employees shown in Exhibit II.

Because indemnity dental subsidies affect the year-to-year differences in rates charged to employees, the Delta Dental indemnity dental percentage rate differences shown in Exhibits I and II differ significantly from the actual rate differences described below. The premium rates quoted by the carrier for the Delta Dental (indemnity plan) for non-represented employees and employees represented by the Coalition of County Unions are increasing by 2.1% in 2005, and the premiums for employees represented by Local 660 are decreasing by 3.9%. Delta Dental's rates are guaranteed for two years, through 2006, with a renewal cap of 8.6% offered for 2007.

With regard to the prepaid dental plans for both represented and non-represented employees, the premiums for the DeltaCare PMI Plan will increase by approximately 11.9%, with a two year rate guarantee through 2006, and a renewal cap of 8.5% for 2007. The premium rates for the SafeGuard Plan are guaranteed at 5.0% for three years, through 2007. SafeGuard's 2005 premium rates reflect a credit adjustment of \$0.07, due to performance guarantee penalties incurred by the carrier in 2003, and as a result, the 2005 premium was reduced to 4.6%.

Life Insurance and Disability Programs

The recommended employee contribution rates are shown in Exhibits III and IV. The premium rates for the basic County paid life insurance benefit and employee paid optional group term life insurance will not change in 2005. As previously negotiated with County unions and approved by your Board, employees will be able to purchase up to \$20,000 life insurance coverage for dependants, beginning in 2005. There will be no change in 2005 in the cost of AD&D and LTD Health Insurance available to represented and non-represented employees, or survivor income benefits available to MegaFlex participants who are members of Retirement Plan E.

There will be no change in the cost of LTD and STD benefits available to MegaFlex employees. However, the design of the STD plan has not been reviewed in some time. There is some evidence that the STD plan is not providing an adequate safety net for covered employees. We will return to your Board in the near future with recommendations to deal with this issue.

Changes to the Minimum County Contribution under the MegaFlex and Flexible Benefit Plans

Non-represented employees covered by MegaFlex and the Flexible Benefit Plan receive a County contribution expressed as a percentage of salary, but not less than a minimum "floor" contribution of \$770 per month under MegaFlex and \$559 per month under the Flexible Benefit Plan. No adjustment in the floor contribution amounts has been made since January 1, 2003. Given that employee costs for health insurance will have increased under both plans in 2004 and 2005, and that your Board previously approved negotiated adjustments in the County contributions to the cafeteria plans pertaining to represented employees, we are recommending that the floor contributions to the MegaFlex and the Flexible Benefit Plan be increased to \$810 and \$591 per month, respectively. These adjustments would take effect on January 1, 2005 and be initially reflected on the County pay warrants issued on January 14, 2005.

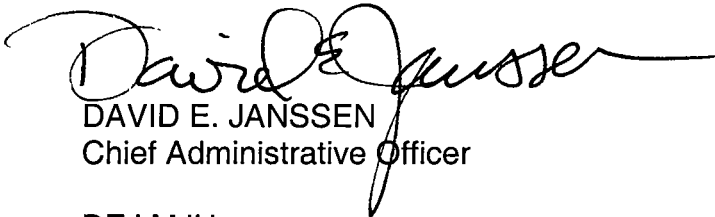
Health Insurance for Part-time, Temporary and Recurrent Employees

We are recommending a technical clarification to Section 5.36.029 of the County Code to enable continuation of the County health insurance contribution for certain monthly temporary and monthly recurrent employees who change from one part-time status to another during the year.

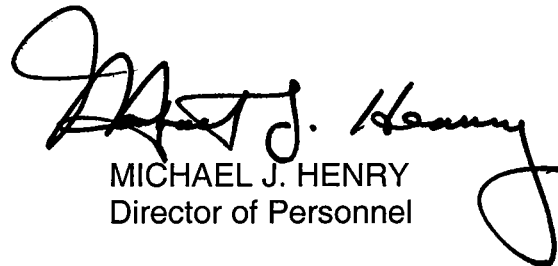
Honorable Board of Supervisors
September 21, 2004
Page 10

The accompanying ordinance necessary to implement the recommendations contained herein has been approved as to form by the County Counsel.

Respectfully submitted,



DAVID E. JANSSEN
Chief Administrative Officer



MICHAEL J. HENRY
Director of Personnel

DEJ:MJH
WGL:FF:MH:df

Attachments (6).

c: Auditor Controller
County Counsel

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2004 RATES AND PROPOSED 2005 RATES**

Plan	Option	Coverage Category ^a	Current 2004 Rates ^b	Proposed 2005 Rates ^b	Percentage Change
CIGNA	Network HMO	1	\$ 298.73	\$ 303.02	1.4%
		2	\$ 593.03	\$ 601.63	1.5%
		3	\$ 683.16	\$ 693.05	1.4%
	Network POS	1	\$ 461.77	\$ 468.40	1.4%
		2	\$ 870.80	\$ 883.38	1.4%
		3	\$ 982.08	\$ 996.26	1.4%
	PPO	1	\$ 742.75	\$ 753.42	1.4%
		2	\$1522.36	\$1544.30	1.4%
		3	\$1711.00	\$1735.65	1.4%
KAISER Choices		1	\$ 299.47	\$ 339.25	13.3%
		2	\$ 593.50	\$ 673.06	13.4%
		3	\$ 689.33	\$ 781.62	13.4%
KAISER Options		1	\$ 292.37	\$ 320.12	9.5%
		2	\$ 587.74	\$ 643.24	9.4%
		3	\$ 681.22	\$ 745.60	9.5%
PACIFICARE	HMO	1	\$ 265.29	\$ 274.69	3.6%
		2	\$ 539.05	\$ 558.03	3.6%
		3	\$ 623.85	\$ 645.85	3.6%
	PPO	1	\$ 554.53	\$ 623.02	12.4%
		2	\$1123.50	\$1261.85	12.3%
		3	\$1300.63	\$1460.87	12.3%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^bRates reflect current negotiated County subsidies.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2004 RATES AND PROPOSED 2005 RATES**

Plan	Option	Coverage Category ^a	Current 2004 Rates	Proposed 2005 Rates	Percentage Change
DELTA DENTAL ^b		1	\$ 26.00	\$ 23.74	-8.7%
Choices		2	\$ 43.00	\$ 39.43	-8.3%
		3	\$ 65.00	\$ 59.31	-8.8%
DELTA DENTAL ^b		1	\$ 30.00	\$ 28.03	-6.6%
Options		2	\$ 50.00	\$ 46.64	-6.7%
		3	\$ 75.00	\$ 69.85	-6.9%
DELTACARE PMI		1	\$ 11.83	\$ 13.24	11.9%
Choices & Options		2	\$ 19.51	\$ 21.84	11.9%
		3	\$ 28.85	\$ 32.30	12.0%
SAFEGUARD ^c		1	\$ 9.44	\$ 9.84	4.2%
Choices & Options		2	\$ 18.21	\$ 19.05	4.6%
		3	\$ 23.73	\$ 24.86	4.8%

^a 1 = Employee only
2 = Employee + 1 Dependent
3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

^c SafeGuard rates for 2005 reflect a \$.07 credit adjustment for performance guarantee penalties.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR NON-REPRESENTED EMPLOYEES
CURRENT 2004 RATES AND PROPOSED 2005 RATES**

Plan	Option	Coverage Category ^a	Current 2004 Rates ^b	Proposed 2005 Rates ^b	Percentage Change
BLUE CROSS	California Care HMO	1	\$ 167.49	\$ 185.07	10.5%
		2	\$ 327.60	\$ 361.98	10.5%
		3	\$ 343.64	\$ 379.70	10.5%
		4	\$ 388.63	\$ 429.41	10.5%
	PLUS POS	1	\$ 253.09	\$ 279.65	10.5%
		2	\$ 508.16	\$ 561.48	10.5%
		3	\$ 520.09	\$ 574.66	10.5%
		4	\$ 580.12	\$ 640.99	10.5%
	Catastrophic	1	\$ 129.55	\$ 143.14	10.5%
		2	\$ 259.93	\$ 287.21	10.5%
		3	\$ 259.43	\$ 291.65	12.4%
		4	\$ 305.28	\$ 337.31	10.5%
	Prudent Buyer PPO	1	\$ 322.80	\$ 356.67	10.5%
		2	\$ 592.46	\$ 654.63	10.5%
		3	\$ 615.42	\$ 680.00	10.5%
		4	\$ 713.03	\$ 787.85	10.5%
KAISER Flex/MegaFlex		1	\$ 168.80	\$ 185.07	9.6%
		2	\$ 330.16	\$ 361.98	9.6%
		3	\$ 346.34	\$ 379.70	9.6%
		4	\$ 391.66	\$ 429.41	9.6%
DELTA DENTAL Flex & MegaFlex		1	\$ 26.00	\$ 23.74	-8.7%
		2	\$ 38.00	\$ 34.70	-8.7%
		3	\$ 43.00	\$ 39.43	-8.3%
		4	\$ 65.00	\$ 59.31	-8.8%
DELTACARE PMI Flex & MegaFlex		1	\$ 11.83	\$ 13.24	11.9%
		2	\$ 20.29	\$ 22.71	11.9%
		3	\$ 20.43	\$ 22.87	11.9%
		4	\$ 29.44	\$ 32.96	12.0%
SAFEGUARD ^c Flex & MegaFlex		1	\$ 9.44	\$ 9.84	4.2%
		2	\$ 17.68	\$ 18.49	4.6%
		3	\$ 19.92	\$ 20.85	4.7%
		4	\$ 26.01	\$ 27.24	4.7%

^a 1 = Employee only

2 = Employee + Child(ren)

3 = Employee + Spouse

4 = Employee + Spouse + Child(ren)

^b Rates, where applicable, are net of County subsidy; except that the premium charged to an employee whose benefits are subject to COBRA and separates from service on or after January 1, 2005 is the carrier quoted rate plus an administrative charge as prescribed by COBRA

^c SafeGuard rates for 2005 reflect a \$.07 credit adjustment for performance guarantee penalties.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2004 RATES AND PROPOSED 2005 RATES**

	Monthly Cost per \$1000 of Insurance	
	<u>2004</u>	<u>2005</u>
COUNTY-PAID BASIC GROUP TERM LIFE INSURANCE	\$0.23	\$0.23

OPTIONAL GROUP TERM LIFE INSURANCE

Employee:	<u>Age</u>	<u>2004</u>	<u>2005</u>
The monthly premium per \$1000 of insurance is based on employee's age as shown in the following table:			
	Less than 30	\$0.05	\$0.05
	30-34	\$0.07	\$0.07
	35-39	\$0.10	\$0.10
	40-44	\$0.12	\$0.12
	45-49	\$0.19	\$0.19
	50-54	\$0.30	\$0.30
	55-59	\$0.47	\$0.47
	60-64	\$0.73	\$0.73
	65-69	\$1.07	\$1.07
	70 and over	\$2.06	\$2.06

Dependent Life Insurance:	<u>2004</u>	<u>2005</u>
Cost per month per \$5,000 of coverage, no matter how many eligible dependents employee may have. Coverage is offered in increments of \$5,000 up to \$20,000. Dependent care coverage premium is charged to the employee on the same basis as employee coverage premium.	\$1.24	\$1.24

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2004 RATES AND PROPOSED 2005 RATES**

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE – Cost per Month

<u>Employee Coverage</u>	<u>Current 2004 Rates</u>		<u>Proposed 2005 Rates</u>	
	<u>Employee Only Plan G</u>	<u>Employee & Dependents Plan H</u>	<u>Employee Only Plan G</u>	<u>Employee & Dependents Plan H</u>
\$ 10,000	\$0.18	\$0.29	\$0.18	\$ 0.29
\$ 25,000	\$0.45	\$0.73	\$0.45	\$ 0.73
\$ 50,000	\$0.90	\$1.45	\$0.90	\$ 1.45
\$100,000	\$1.80	\$2.90	\$1.80	\$ 2.90
\$150,000	\$2.70	\$4.35	\$2.70	\$ 4.35
\$200,000	\$3.60	\$5.80	\$3.60	\$ 5.80
\$250,000	\$4.50	\$7.25	\$4.50	\$ 7.25
\$300,000	\$5.40	\$8.70	\$5.40	\$ 8.70
\$350,000	\$6.30	\$10.15	\$6.30	\$10.15

These figures apply regardless of employee's age. If Plan H is selected, all eligible dependents will be insured automatically.

SURVIVOR INCOME BENEFIT – For MegaFlex participants enrolled in Retirement Plan E

<u>Employee Age</u>	<u>Current 2004 Rates</u>		<u>Proposed 2005 Rates</u>	
	<u>Employee Cost* (25% Option)</u>	<u>Employee Cost* (50% Option)</u>	<u>Employee Cost* (25% Option)</u>	<u>Employee Cost* (50% Option)</u>
Under 30	0.156%	0.300%	0.156%	0.300%
30 to 34	0.192%	0.396%	0.192%	0.396%
35 to 39	0.252%	0.516%	0.252%	0.516%
40 to 44	0.360%	0.708%	0.360%	0.708%
45 to 49	0.480%	0.960%	0.480%	0.960%
50 to 54	0.636%	1.272%	0.636%	1.272%
55 to 59	0.912%	1.836%	0.912%	1.836%
60 to 64	1.248%	2.496%	1.248%	2.496%
65 to 69	1.716%	3.432%	1.716%	3.432%
70 and over	3.048%	6.096%	3.048%	6.096%

*Employee Cost is expressed as a percentage of regular monthly salary and is half of the actual premium. The County pays the other 50%.

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2004 RATES AND PROPOSED 2005 RATES**

MEGAFLEX SHORT-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

<u>Income Replacement</u>	<u>Current 2004 Rates</u>			<u>Proposed 2005 Rates</u>		
	<u>30 Days*</u>	<u>14 Days*</u>	<u>7 Days*</u>	<u>30 Days*</u>	<u>14 Days*</u>	<u>7 Days*</u>
40%	0.000%	0.067%	0.110%	0.000%	0.067%	0.110%
60%	0.241%	0.340%	0.429%	0.241%	0.340%	0.429%
70%	0.463%	0.588%	0.709%	0.463%	0.588%	0.709%

* Indicates length of waiting period.

MEGAFLEX LONG-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

<u>Income Replacement</u>	<u>Current 2004 Rates</u>		<u>Proposed 2005 Rates</u>	
	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>
40%	0.000%	0.040%	0.000%	0.040%
60%	0.117%	0.157%	0.117%	0.157%

*Plan E plus 5 or more years of continuous service.

LONG-TERM DISABILITY HEALTH INSURANCE - Cost per month

<u>Current 2004 Rate</u>	<u>Proposed 2005 Rate</u>
\$4.25	\$4.25

EXHIBIT IV

**UNION-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
CURRENT 2004 AND PROPOSED 2005 PREMIUM RATES**

		Coverage	Current	Proposed	
Plan	Percentage Option	Category ^a	2004 Rates	2005 Rates ^b	Change
ALADS	Prudent Buyer Plan Under Age 50	1	\$ 376.03	\$ 413.07	9.9%
		2	\$ 724.44	\$ 798.31	10.2%
		3	\$ 832.52	\$ 917.30	10.2%
	Prudent Buyer Plan Age 50 and Over	1	\$ 376.03	\$ 413.07	9.9%
		2	\$ 724.44	\$ 798.31	10.2%
		3	\$ 832.52	\$ 917.30	10.2%
	CaliforniaCare Basic Plan (All Ages)	1	\$ 258.98	\$ 280.37	8.3%
		2	\$ 492.01	\$ 534.67	8.7%
		3	\$ 614.80	\$ 667.91	8.6%
	Prudent Buyer Premier Plan Under Age 50	1	\$ 447.43	\$ 488.28	9.1%
		2	\$ 795.84	\$ 873.52	9.8%
		3	\$ 903.92	\$ 992.51	9.8%
	Prudent Buyer Premier Plan Age 50 and Over	1	\$ 447.43	\$ 488.28	9.1%
		2	\$ 795.84	\$ 873.52	9.8%
		3	\$ 903.92	\$ 992.51	9.8%
	CaliforniaCare Premier Plan (all ages)	1	\$ 330.38	\$ 355.58	7.6%
		2	\$ 563.41	\$ 609.88	8.2%
		3	\$ 686.20	\$ 743.12	8.3%
CAPE	Classic	1	\$ 351.00	\$ 382.00	8.8%
		2	\$ 704.56	\$ 765.56	8.7%
		3	\$ 908.56	\$ 986.56	8.6%
	Lite	1	\$ 249.00	\$ 263.00	5.6%
		2	\$ 498.56	\$ 526.56	5.6%
		3	\$ 640.56	\$ 676.56	5.6%
	PPO (Out-of-state only)	1	\$ 351.00	\$ 382.00	8.8%
		2	\$ 704.56	\$ 765.56	8.7%
		3	\$ 908.56	\$ 986.56	8.6%
FIRE FIGHTERS LOCAL1014	1	\$ 341.26	\$ 395.00	15.7%	
	2	\$ 659.00	\$ 750.56	13.9%	
	3	\$ 778.23	\$ 886.56	13.9%	

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

ENCLOSURES TO EXHIBIT 5

1. ALADS Insurance Trust Request
2. CAPE Request
3. Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan Request

ALADS Insurance Trust

9500 Topanga Canyon Blvd. Chatsworth, CA 91311
Tel (213) 678-0040 (800) 842-6635 Fax (818)678-0030

August 20, 2004

Mr. Michael J. Henry, Director
County of Los Angeles
Hall of Administration, Room 579
500 West Temple Street
Los Angeles, California 90012

REVISED

Attention: Ms. Marian Hall
Human Resources Manager
Employee Benefits – Deferred Income Division
Department of Human Resources
County of Los Angeles
3333 Wilshire Boulevard, Tenth Floor
Los Angeles, California 90010

RE: ALADS/BLUE CROSS 2005 HEALTHCARE PLAN PREMIUMS
Via fax and U.S. mail

Dear Ms. Hall:

As we discussed on May 27, 2004, the following monthly premium rates for the ALADS Blue Cross Prudent Buyer and CaliforniaCare medical plans for the 2005 plan year were approved today:

Plan	Employee	Employee + 1	Employee + 2
Prudent Buyer Basic	413.07	803.75	922.74
Prudent Buyer Premier	488.28	878.96	997.95
CaliforniaCare Basic	280.37	540.11	673.35
CaliforniaCare Premier	355.58	615.32	748.56

Sincerely,



Bud Treece, Trust Administrator



July 30, 2004

Marian Hall
Human Resources Manager
Employee Benefits-Deferred Income Division
County of Los Angeles
Department of Human Resources
3333 Wilshire Boulevard
Los Angeles, CA 90010

Re: 2005 RENEWAL - CAPE BLUE SHIELD MEDICAL PLANS

Dear Ms. Hall:

This letter is to advise you of the CAPE Benefit Trust Board of Trustees' approval of the renewal of Blue Shield's contracts for the year 2005 CAPE/Blue Shield Classic and Lite medical plans. Attached please find the benefit structures and rates for both plans.

With the exception of any mandated regulatory changes, the structures of the plans are identical to the past year's plan designs.

We would appreciate your forwarding the 2005 CAPE Blue Shield medical plans' information to the Board of Supervisors for their timely approval.

Sincerely,

CALIFORNIA ASSOCIATION OF
PROFESSIONAL EMPLOYEES BENEFIT TRUST

James S. Thurow
Chairman
CAPE Benefit Trust Board of Trustees

Attachments

**2005 CAPE/Blue Shield
Classic Plan**

(800) 487-3092 www.nylifeplan.com

BENEFITS		PRIMARY CARE NETWORK	PPO NETWORK A Point of Service Plan	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan	All Participants	All Participants	All Participants	All Participants
Who is Eligible	None	None	\$300 per person; \$600 per family maximum (combined-PPO Network and Out-of-Network)	\$300 per person; \$600 per family maximum (combined-PPO Network and Out-of-Network)
Calendar Year Deductible				
Maximum Annual Out-of-pocket Expenses	\$2,000/person; \$4,000/family		After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network)	After deductible, \$6,000/person; \$12,000/family (combined - PPO Network and Out-of-Network)
Lifetime Maximum Benefit	Unlimited		\$2,000,000 (combined - PPO Network and Out-of-Network)	\$2,000,000 (combined - PPO Network and Out-of-Network)
PREVENTIVE CARE				
Immunizations	100%; no copayment	Not covered	Not covered	Not covered
Periodic Health Exams	100%; no copayment (including Well Woman Exam, Pap Smear, and Mammography)	Routine physicals not covered. Well Woman Exam 100% after \$20 copayment; tests 90% no deductible	Not covered	Not covered
Vision Care	Up to age 18 screenings only; 100%; All members one eye exam per year- \$10 copayment at MES providers only	All members one eye exam per year- \$10 copayment at MES providers only		\$10 Reimbursement for eye exam only
MEDICALLY NECESSARY CARE				
Ambulance	100% after \$30 copayment	90% after deductible		90% after deductible
Doctor Office Visits	100% after \$10 copayment	100% after \$20 copayment for consultation only (not subject to deductible)		70% after deductible
Emergency Room	100% after \$30 copayment (waived if admitted)	100% after \$20 copayment (waived if admitted)		100% after \$50 copayment (waived if admitted)
Hospital Care	100%; no copayment	90% after deductible		70% after deductible, carrier max payment \$420 per day
Maternity	100%; no copayment	100% after \$20 copayment for consultation only (not subject to deductible)		70% after deductible
Surgery	100%; no copayment (outpatient \$50 copayment)	90% after deductible		70% after deductible, outpatient-carrier max pymt \$420 per day
X-Ray & Lab Tests	100%; no copayment	90% after deductible		70% after deductible
Prescription Drugs	\$10 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval)	\$10 (generic); \$15 (brand name); \$30 (nonformulary-requires preapproval)		70% after deductible Covered for emergencies only- 75% of lesser of actual price or reasonable charge, minus copayment
MENTAL HEALTH CARE				
Mental Health-Outpatient	Non-severe psychiatric care: \$10 copayment for initial visit; \$50 copayment/visit thereafter (up to 20 combined visits per calendar year)	Non-severe psychiatric care: \$10 copayment for initial visit; \$50 copayment/visit thereafter (up to 20 combined visits per calendar year)		Non severe psychiatric care: 50% after deductible (up to 20 combined visits per calendar year)
	Severe mental illness: \$10 copayment/visit	Severe mental illness: \$10 copayment/visit		Severe mental illness: 70% (after deductible)
	-----Provided by United Behavioral Health. Must be arranged through MHSA----	-----Provided by United Behavioral Health. Must be arranged through MHSA----		
Mental Health-Inpatient	100%	100%		70% (after deductible), up to \$420 carrier max per day
	-----Provided by United Behavioral Health. Must be arranged through MHSA----	-----Provided by United Behavioral Health. Must be arranged through MHSA----		
OTHER PLAN BENEFITS				
Chiropractic Care	100% after \$10 copayment	100% after \$10 copayment		Not covered
	-----Includes acupuncture; up to 40 combined visits/calendar year (based on medical necessity)-----	-----Provided through American Specialty Health Plans-----		
Home Health Care	100% after \$10 copayment	90% after deductible		70% after deductible
	(combined 100 visits per calendar year)	(combined 100 visits per calendar year)		(combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency		Not covered unless authorized by Blue Shield
Physical Therapy	100% after \$10 copayment	90% after deductible		70% after deductible
Skilled Nursing Facility	100%; no copayment (combined 100 days per calendar year)	90% after deductible (combined 100 days per calendar year)		70% after deductible (combined 100 days per calendar year)

2005 Premium Rates

Employee Only:	\$382.00
Employee + One:	\$771.00
Employee + Family:	\$992.00

**2005 CAPE/Blue Shield
Lite Plan**

(800) 487-3092 www.mylifenath.com

BENEFITS		PRIMARY CARE NETWORK	PPO NETWORK	OUT-OF-NETWORK (Reimbursement based on Allowed Amount)
Type of Plan				
Who is Eligible				
Calendar Year Deductible	All Participants	All Participants	All Participants	All Participants
Maximum Annual Out-of-pocket Expenses	None	\$500 per person; \$1,000 per family maximum (combined-PPO Network and Out-of-Network)	\$500 per person; \$1,000 per family maximum (combined-PPO Network and Out-of-Network)	\$500 per person; \$1,000 per family maximum (combined-PPO Network and Out-of-Network)
Lifetime Maximum Benefit	\$2,000/person; \$4,000/family	After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network)	After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network)	After deductible, \$6,000/person; \$12,000/family (combined - PPO Network and Out-of-Network)
PREVENTIVE CARE				
Immunizations	100%; no copayment	100%; no copayment	100%; no copayment	Not covered
Periodic Health Exams	100%; no copayment (including Well Woman Exam, Pap Smear, and Mammography)	100%; no copayment (including Well Woman Exam, Pap Smear, and Mammography)	100%; no copayment; tests 80% no deductible	Not covered
Vision Care	Up to age 18 screenings only; 100%. All members one eye exam per year- \$10 copayment at MES providers only	Up to age 18 screenings only; 100%. All members one eye exam per year- \$10 copayment at MES providers only	MES providers only	\$10 Reimbursement for eye exam only
MEDICALLY NECESSARY CARE				
Ambulance	100% after \$50 copayment	100% after \$50 copayment	80% after deductible	80% after deductible
Doctor Office Visits	100% after \$10 copayment	100% after \$10 copayment	100% after \$25 copayment for consultation only (not subject to deductible)	60% after deductible
Emergency Room	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)
Hospital Care	100%; no copayment	100%; no copayment	80% after deductible	60% after deductible, carrier max payment \$360 per day
Maternity	100%; no copayment	100%; no copayment	100% after \$25 copayment for consultation only (not subject to deductible)	60% after deductible
Surgery	100%; no copayment (outpatient \$75 copayment)	100%; no copayment (outpatient \$75 copayment)	80% after deductible	60% after deductible, outpatient-carrier max pymt \$360 per day
X-Ray & Lab Tests	100%; no copayment	100%; no copayment	80% after deductible	60% after deductible
Prescription Drugs	\$30 (nonformulary-requires preapproval)	\$30 (nonformulary-requires preapproval)	\$10 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval)	Covered for emergencies only- 75% of lesser of actual price or reasonable charge, minus copayment
MENTAL HEALTH CARE				
Mental Health-Outpatient	Non-severe psychiatric care: \$10 copayment for initial visit; \$50 copayment/visit thereafter (up to 20 combined visits per calendar year)	Non-severe psychiatric care: \$10 copayment for initial visit; \$50 copayment/visit thereafter (up to 20 combined visits per calendar year)	Non-severe psychiatric care: \$10 copayment for initial visit; \$50 copayment/visit thereafter (up to 20 combined visits per calendar year)	Non severe psychiatric care: 50% after deductible (up to 20 combined visits per calendar year)
	Severe mental illness: \$10 copayment/visit	Severe mental illness: \$10 copayment/visit	Severe mental illness: \$10 copayment/visit	Severe mental illness: 60% (after deductible)
	-----Provided by United Behavioral Health. Must be arranged through MHSA-----	-----Provided by United Behavioral Health. Must be arranged through MHSA-----	-----Provided by United Behavioral Health. Must be arranged through MHSA-----	
Mental Health-Inpatient	100%	100%	100%	60% (after deductible), up to \$360 carrier max per day
	-----Provided by United Behavioral Health. Must be arranged through MHSA-----	-----Provided by United Behavioral Health. Must be arranged through MHSA-----	-----Provided by United Behavioral Health. Must be arranged through MHSA-----	
OTHER PLAN BENEFITS				
Chiropractic Care	100% after \$15 copayment	100% after \$15 copayment	100% after \$15 copayment	Not covered
	-----Includes acupuncture; up to 30 combined visits/calendar year (based on medical necessity)-----	-----Includes acupuncture; up to 30 combined visits/calendar year (based on medical necessity)-----	-----Provided through American Specialty Health Plans-----	
Home Health Care	100% after \$10 copayment	100% after \$10 copayment	80% after deductible	60% after deductible
Hospice Care	(combined 100 visits per calendar year)	(combined 100 visits per calendar year)	(combined 100 visits per calendar year)	(combined 100 visits per calendar year)
Physical Therapy	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	Not covered unless authorized by Blue Shield
Skilled Nursing Facility	100% after \$10 copayment	100% after \$10 copayment	80% after deductible	60% after deductible
	100%; no copayment (combined 100 days per calendar year)	100%; no copayment (combined 100 days per calendar year)	80% after deductible (combined 100 days per calendar year)	60% after deductible (combined 100 days per calendar year)

2005 Premium Rates

Employee Only:	\$263.00
Employee + One:	\$532.00
Employee + Family:	\$682.00



*Celebrating
a Half Century of Unity*

LOS ANGELES COUNTY FIRE FIGHTERS

LOCAL 1014 HEALTH AND WELFARE PLAN

3460 FLETCHER AVENUE • EL MONTE, CALIFORNIA 91731
(310) 639-1014 (800) 660-1014 (within California)



August 17, 2004

Via Facsimile & Hard Copy by U.S. Mail
(213) 637 - 0820

Marion L. Hall
Human Resources Manager
3333 Wilshire Blvd. Suite #1
Los Angeles, CA 90010-4101

Dear Ms. Hall:

This letter is an addendum to our letter to you dated July 27, 2004.

Additional benefit changes adopted for the Plan for 2005 as follows:

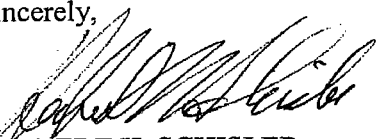
1. Deductible

- a. Member only - \$300.00 per year.
- b. Family Rate - \$600.00 per year.

2. Out of Network Claims:

- a. Member pays 30%
- b. Plan pays 70%

Sincerely,


HERBERT H. SCHISLER
Plan Administrator

HHS/cv

Received by _____ Date _____





*Celebrating
a Half Century of Unity*

LOS ANGELES COUNTY FIRE FIGHTERS

LOCAL 1014 HEALTH AND WELFARE PLAN

3460 FLETCHER AVENUE • EL MONTE, CALIFORNIA 91731

(310) 639-1014

(800) 660-1014 (within California)



July 27, 2004

Via Facsimile and Hard Copy by U.S. mail
(213) 637-0820

Marion L. Hall
Human Resources Manager
County of Los Angeles Department of Human Resources
3333 Wilshire Blvd. Suite #1
Los Angeles, CA 90010-4101

Dear Ms. Hall:

By order of the Board of Trustees on July 26, 2004, the Local 1014 Health and Welfare Plan adopted the following premium rates for the year 2005.

Member Only	\$395.00
Member + One	\$756.00
Member + 2 or more	\$892.00

Benefit change as follows:

1. Adoption of the Vision Service Plan; Plan A with a \$25.00 co-payment.

Sincerely,

HERBERT H. SCHISLER
Plan Administrator

HHS/cv

Received by M. Hall Date 7/29/04



EXHIBIT VI



September 10, 2004

County of Los Angeles
Board of Supervisors
Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Re: **Kaiser Permanente/ County of Los Angeles**
Proposed Framework for Future Healthcare Actions

Dear County Board of Supervisors,

Kaiser Permanente has over one million health plan members who reside in the County of Los Angeles. With seven major medical centers and outpatient and specialty services, we employ over 20,000 staff. In addition, our extensive community benefit program aligns with many local health agencies. Kaiser Permanente is clearly a leader in preserving and advancing health in the County of Los Angeles.

Kaiser Permanente takes great pride in the tradition of providing high-quality, affordable healthcare for County employees and their families. This letter represents our commitment to engage with the County of Los Angeles in a process resulting in a greater understanding of the healthcare trends within the County/ Kaiser Permanente members (the membership) and a definitive course of action to monitor and manage these trends.

We understand this will be a collaborative effort between the County, the labor organizations and Kaiser Permanente. We expect this work to start immediately and to be completed no later than March 2005. Kaiser Permanente is proposing that Bill Caswell, Vice President of Kaiser Permanente Health Plan, join a senior physician from Southern California Permanente Medical Group to lead this effort. Similarly, key senior leaders from the County of Los Angeles would be designated as counterparts.

With the full scope of the engagement still to be defined, we recommend a focus on those issues addressed during the recent deliberations. A detailed review of the pricing

methodology and actuarial assumptions will provide the analytical foundation. This review will validate that Kaiser's rate is "right priced". Additional work must focus on actions to mitigate future rate increases. This includes the implementation of enhanced disease management programs, broader member education initiatives and improving access to Kaiser medical providers. The goal is to create a heightened awareness of the growing risk/ utilization trends in the membership and a mutually agreed upon action plan. Elaborating on these key areas:

a. Disease Management

Kaiser Permanente will complement its existing clinical reports with additional information to document clinical trends within the membership. The County would provide input regarding the parameters of these reports. The parties will develop short-term and long-term initiatives targeted towards prevention and effective management of chronic conditions. Specific metrics for clinical outcomes, member education and disease management will be mutually developed and implemented. Kaiser Permanente understands that this effort will require input and acceptance from the County's labor organizations that participate in the Kaiser plan.

b. Methodology – Outpatient & Pharmacy

Kaiser Permanente has produced a detailed review of the data/methodology for inpatient care relating to normal maternity. The findings from this review established that these factors had been applied appropriately for the membership consistent with Kaiser's standard rate methodology. Building upon this work, Kaiser Permanente will provide additional information for the County to clarify methodologies for outpatient care and pharmacy; and to expand and complete the inpatient methodology review process.

c. Kaiser Methodology

Kaiser Permanente's pricing, costing, and underwriting guidelines differ from other Health Plans. This is due to the unique Kaiser Permanente model of care that includes integrated health plan administration, hospital management, and physician group involvement. Because we're different, Kaiser Permanente recognizes that we must inform and educate the County in a different way. We are committed to doing this on changes in methodology and will work with the County to document the impact of these changes on the membership.

d. Rate Detail

Setting health care rates is a complex process and involves many variables. Kaiser Permanente is working closely with County of Los Angeles management to provide details that help improve understanding of this process. For example, the rate for the County's population consists of the application of a *group specific adjustment* factor. This factor reflects the County specific utilization weighted by Kaiser Intensity factors. This *adjustment* is then applied to a standard base rate. Kaiser Permanente will provide reports that demonstrate the development of the components of the *adjustment* factor. In addition, an analysis of the base rate will be provided by Kaiser Permanente. This will reflect the cost factors similar to the information presented to other very large accounts.

e. Confidentiality

It is understood by all parties that this information will often be confidential in nature. As such, appropriate agreements would be executed by all parties in advance of the release of such information. Both Kaiser Permanente and the County will also confer on the appropriate roles/ duties of support resources.

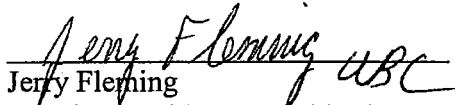
Whereas this initial framework focuses on the County/ Kaiser Permanente membership, and comparisons to comparable Kaiser employer groups, it is critical we understand the underlying risk for the entire County population. The elements of aging, limited new enrollment and increasing medical utilization are factors impacting the entire County employee population.


Kaiser Permanente sees this engagement as an important first step to gain an understanding of what is driving the health care cost inflation within the County employee population. Using this work as a beginning point, we are hopeful that a variety of alternatives can be explored together. This would include responses such as clinical analysis (risk adjustment) and alternative financial (funding) arrangements.

In the spirit of cooperation, Kaiser Permanente hopes to work with the County of Los Angeles toward the goal of maintaining high-quality, accessible healthcare at affordable costs for the County/ Kaiser Permanente members.

This offer is conditional on acceptance by County officials and agreement on a work plan.

Sincerely,


Jerry Fleming
Sr. Vice President – Health Plan
Kaiser Permanente


William B. Caswell
Vice President – Health Plan
Kaiser Permanente



cc. David Janssen, County Administrative Officer, County of Los Angeles
Michael Henry, Director of Personnel, County of Los Angeles



ORDINANCE

Contribution Rate for Flexible
Benefit Plan and Nonpensionable
Flexible Plan for 2005 Plan Year
[527040LTCOC-GLCAO]

SUBJECT

APPROVED:	INITIAL	DATE
COUNTY COUNSEL ATTORNEY	<u></u>	<u>9-7-04</u>
ASSISTANT COUNTY COUNSEL	<u>DSK</u>	<u>9/7/04</u>
SENIOR ASSISTANT COUNTY	<u>Mani</u>	<u>9/07/04</u>
CHIEF DEPUTY COUNTY COUNSEL	<u></u>	<u>9/08/04</u>

Please initial and date above before submitting for signatures.

This Routing Sheet is to be attached to the file copy as a permanent record.

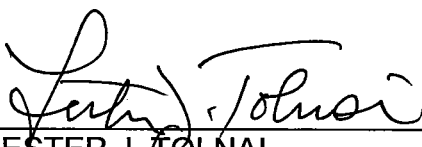
Please return two copies to the Executive Office after it has been signed and dated.

ANALYSIS

This ordinance amends Title 5 - Personnel, of the Los Angeles County Code by:

- Adjusting the nonelective contribution rate for the Flexible Benefit Plan and the Nonpensionable Flexible Benefit Plan for the 2005 Plan Year, and deleting outdated provisions.

OFFICE OF THE COUNTY COUNSEL

By 
LESTER J. TOLNAI
Principal Deputy County Counsel
Management Services Division

ORDINANCE NO. _____

An ordinance amending Title 5 - Personnel of the Los Angeles County Code, relating to Fringe Benefit changes.

The Board of Supervisors of the County of Los Angeles ordains as follows:

SECTION 1. Section 5.27.040 is hereby amended to read as follows:

5.27.040 Contributions.

A. Nonelective Contributions. Except as otherwise provided herein, each month the County shall contribute to the Plan on behalf of each Participant an amount equal to the greater of ~~\$559~~91.00 or 10.0 percent of such Participant's Compensation for the preceding month beginning the 20035 Plan Year; provided, however, that no Nonelective Contribution shall be contributed for any Participant if he has not been in a pay status for at least eight hours during the prior month. Nonelective Contributions shall be reflected in County payroll warrants issued on or about the fifteenth day of the month following the month in which the requisite pay status was completed.

B. Elective Contributions. Each Eligible Employee prior to commencing his participation in the Plan and each Participant prior to the beginning of a Plan Year may irrevocably elect to have an additional dollar amount contributed by the County during a Plan Year for each month that he participates in the Plan as an Elective Contribution, not to exceed his Eligible Earnings for such month, and to have his Eligible Earnings reduced each month by an amount equal to such Elective Contribution; provided,

however, that no Elective Contribution shall be contributed for any Participant if he has not been in a pay status for at least eight hours during the prior month. Such Elective Contribution on behalf of a Participant each month shall equal the amount necessary to fund the Taxable Benefits and/or Nontaxable Benefits chosen by such Participant pursuant to the election procedure set forth in Section 5.27.060, after first applying the Nonelective Contribution for such month to the cost of such Taxable Benefits and/or Nontaxable Benefits. In the event of contractual renegotiation, change in method of funding, or substitution of a Taxable Benefit and/or Nontaxable Benefit during a Plan Year, the County, without prior notice to Participants, may automatically adjust the Elective Contributions made for, and/or the Eligible Earnings paid to, Participants who have selected such Taxable Benefits and/or Nontaxable Benefits, in accordance with increases or decreases in the cost of the Taxable Benefits and/or Nontaxable Benefits.

SECTION 2. Section 5.27.240 is hereby amended to read as follows:

5.27.240 Contributions.

A. Nonelective Contributions.

1. Except as otherwise provided herein, each month the County shall contribute to the Plan on behalf of each Participant an amount equal to the greater of \$~~770~~810.00 beginning the 200~~3~~5 Plan Year or the amount designated in subsection A1a or b below, whichever is applicable:

a. 14.5 percent of the Participant's Compensation for the preceding month if the Participant is a Retirement Plan A, B, C, or D Member, and has

completed less than five years of continuous service as of the commencement of the current Plan Year;

b. 17.0 percent of the Participant's Compensation for the preceding month if the Participant is a Retirement Plan A, B, C, or D Member and has completed five or more years of continuous service as of the commencement of the current Plan Year, or if he is a Retirement Plan E Member; provided, however, that the percentage figures set forth in the following table shall apply in lieu of said 17.0 percent for any Participant, regardless of retirement plan, who has completed 10 or more years of continuous service as of January 1, 1991:

Continuous Service As of January 1, 1991	Nonelective Contribution
10 years	17.4%
11 years	17.8%
12 years	18.2%
13 years	18.6%
14 or more years	19.0%

2. In no event shall a Nonelective Contribution be made on behalf of any Participant who has not been in a pay status for at least eight hours during the prior month. Nonelective Contributions shall be reflected in County payroll warrants issued on or about the fifteenth day of the month following the month in which the requisite pay status was completed.

B. Elective Contributions. Each Eligible Employee prior to commencing his participation in the Plan and each Participant prior to the beginning of a Plan Year may irrevocably elect to have an additional dollar amount contributed by the County during a Plan Year for each month that he participates in the Plan as an Elective Contribution, not to exceed his Eligible Earnings for such month, and to have his Eligible Earnings reduced each month by an amount equal to such Elective Contribution; provided, however, that no Elective Contributions shall be contributed for any Participant if he has not been in a pay status for at least eight hours during the prior month. Such Elective Contribution on behalf of a Participant each month shall be equal to the amount necessary to fund the Taxable Benefits and/or Nontaxable Benefits chosen by such Participant pursuant to the election procedure set forth in Section 5.27.260A after first applying the Nonelective Contribution for such month to the cost of such Taxable Benefits and/or Nontaxable Benefits. In the event of contractual renegotiation, change in method of funding, or substitution of a Taxable Benefit and/or Nontaxable Benefit during a Plan Year, the County, without prior notice to Participants, may automatically adjust the Elective Contributions made for and/or the Eligible Earnings paid to, Participants who have selected such Taxable Benefits and/or Nontaxable Benefits, in accordance with increases or decreases in the cost of the Taxable Benefits and/or Nontaxable Benefits.

SECTION 3. Section 5.28.040 is hereby amended to read as follows:

5.28.040 Contributions.

A. Nonelective Contributions. Except as otherwise provided herein, each month the County shall contribute to the Plan on behalf of each Participant an amount equal to the greater of ~~\$5599~~1.00 or 10.0 percent of such Participant' s Compensation for the preceding month beginning the 20035 Plan Year; provided, however, that no Nonelective Contribution shall be contributed for any Participant if he has not been in a pay status for at least eight hours during the prior month. Nonelective Contributions shall be reflected in County payroll warrants issued on or about the fifteenth day of the month following the month in which the requisite pay status was completed.

B. Elective Contributions. Each Eligible Employee prior to commencing his participation in the Plan and each Participant prior to the beginning of a Plan Year may irrevocably elect to have an additional dollar amount contributed by the County during a Plan Year for each month that he participates in the Plan as an Elective Contribution, not to exceed his Eligible Earnings for such month, and to have his Eligible Earnings reduced each month by an amount equal to such Elective Contribution; provided, however, that no Elective Contribution shall be contributed for any Participant if he has not been in a pay status for at least eight hours during the prior month. Such Elective Contribution on behalf of a Participant each month shall equal the amount necessary to fund the Taxable Benefits and/or Nontaxable Benefits chosen by such Participant pursuant to the election procedure set forth in Section 5.28.060, after first applying the Nonelective Contribution for such month to the cost of such Taxable Benefits and/or

Nontaxable Benefits. In the event of contractual renegotiation, change in method of funding, or substitution of a Taxable Benefit and/or Nontaxable Benefit during a Plan Year, the County, without prior notice to Participants, may automatically adjust the Elective Contributions made for, and/or the Eligible Earnings paid to, Participants who have selected such Taxable Benefits and/or Nontaxable Benefits in accordance with increases or decreases in the cost of the Taxable Benefits and/or Nontaxable Benefits.

SECTION 4. Section 5.28.240 is hereby amended to read as follows:

5.28.240 Contributions.

A. Nonelective Contributions.

1. Except as otherwise provided herein, each month the County shall contribute to the Plan on behalf of each Participant an amount equal to the greater of \$~~770~~810.00 beginning the 20035 Plan Year or the amount designated in subsection A1a or b below, whichever is applicable:

a. 14.5 percent of the Participant' s Compensation for the preceding month if the Participant is a Retirement Plan A, B, C, or D Member, and has completed less than five years of continuous service as of the commencement of the current Plan Year;

b. 17.0 percent of the Participant' s Compensation for the preceding month if the Participant is a Retirement Plan A, B, C, or D Member and has completed five or more years of continuous service as of the commencement of the current Plan Year, or if he is a Retirement Plan E Member; provided, however, that the

percentage figures set forth in the following table shall apply in lieu of said 17.0 percent for any Participant, regardless of retirement plan, who has completed 10 or more years of continuous service as of January 1, 1991:

Continuous Service As of January 1, 1991	Nonelective Contribution
10 years	17.4%
11 years	17.8%
12 years	18.2%
13 years	18.6%
14 years or more	19.0%

2. In no event shall a Nonelective Contribution be made on behalf of any Participant who has not been in a pay status for at least eight hours during the prior month. Nonelective Contributions shall be reflected in County payroll warrants issued on or about the fifteenth day of the month following the month in which the requisite pay status was completed.

B. Elective Contributions. Each Eligible Employee prior to commencing his participation in the Plan and each Participant prior to the beginning of a Plan Year may irrevocably elect to have an additional dollar amount contributed by the County during a Plan Year for each month that he participates in the Plan as an Elective Contribution, not to exceed his Eligible Earnings for such month, and to have his Eligible Earnings reduced each month by an amount equal to such Elective Contribution; provided,

however, that no Elective Contributions shall be contributed for any Participant if he has not been in a pay status for at least eight hours during the prior month. Such Elective Contribution on behalf of a Participant each month shall be equal to the amount necessary to fund the Taxable Benefits and/or Nontaxable Benefits chosen by such Participant pursuant to the election procedure set forth in Section 5.28.260A after first applying the Nonelective Contribution for such month to the cost of such Taxable Benefits and/or Nontaxable Benefits. In the event of contractual renegotiation, change in method of funding, or substitution of a Taxable Benefit and/or Nontaxable Benefit during a Plan Year, the County, without prior notice to Participants, may automatically adjust the Elective Contributions made for and/or the Eligible Earnings paid to, Participants who have selected such Taxable Benefits and/or Nontaxable Benefits, in accordance with increases or decreases in the cost of the Taxable Benefits and/or Nontaxable Benefits.

SECTION 5. Section 5.36.029 is hereby amended to read as follows:

5.36.029 Contribution to health insurance for non-student part-time employees.

A. In addition to the eligible employees designated in Sections 5.36.025 and 5.36.027, employees meeting the criteria in subsection B of this section, who are enrolled in a County sponsored health plan, or a County approved union sponsored

health plan, shall be entitled to a monthly contribution toward the payment of the premiums for such plan. The amount of the monthly contribution shall be the lesser of the monthly premium or the contribution provided in subsection A of Section 5.36.025.

B. The provisions of this section shall apply to each daily as-needed, daily recurrent, hourly as-needed, hourly recurrent, monthly permanent 3/4 time and monthly permanent 4/5 permanent time (designated as C, E, F, H, Y and Z, respectively, in Section 6.28.020 of this Code) who:

1. Has been in a pay-status for an average of 30 hours a week for the three consecutive months prior to enrollment in the County sponsored health plan. For purposes of this section, an employee will be deemed to have worked an average of 30 hours per week if, in the aggregate, he has been compensated the following number of hours over three consecutive months:

a. 378 hours if employed on a daily or hourly basis,

b. 534 hours if employed on a monthly temporary or monthly recurrent basis or on a 3/4 time or 4/5 time monthly permanent basis;

2. Is not employed in a position compensated pursuant to the Physician Pay Plan, or

3. Is not employed in any of the following positions:

Item No.	Title
3422	Civil Engineering Student
8338	Librarian Intern
5118	Sr. Student Worker, Nursing

9339	Student Case Worker, NC
9345	Student Diagnostic Ultrasound Tech
8244	Student Intern Worker
9240	Student Medical Social Worker, NC
5792	Student Nuclear Medicine Technician
5355	Student Nurse - Midwife
8243	Student Professional Worker
9343	Student Psychiatric Case Worker, NC
5791	Student Radiation Therapy Tech
9342	Student Therapist, NC
8242	Student Worker
5113	Student Worker, Nursing
9344	Student X-Ray Technician (1st Year), NC
9344	Student X-Ray Technician (2nd Year), NC

C. No contribution shall be made on behalf of any employee if he has not been in a pay status at least eight hours of the prior month.

D. An employee shall become ineligible for the County contribution effective July 1st, if an employee is in a pay-status for an average of less than 30 hours a week during January, February, and March of the year following the year the employee is first eligible for this County contribution.

E. In no event shall the County contribute to more than one health plan at one time for each employee. "Health Plan" for this purpose includes a health plan provided by the Los Angeles County Employees Retirement Association.

F. In no event shall the subsidy provided for in this Section 5.36.029 be payable prior to the pay day occurring on or about the fifteenth day of the month occurring four months after the requirements set forth in subsection B have been met. All employees who qualify for the subsidy shall qualify on the basis of hours worked subsequent to January 1, 2001. No subsidy payment shall be payable prior to the pay day occurring on or about July 13, 2001.

SECTION 6. Pursuant to Sections 25123 (e) and 25123 (f) of the Government Code, this ordinance shall take effect immediately. If this ordinance becomes effective after October 1, 2004, it shall be construed and applied as if it were effective and operative on and after October 1, 2004.

[527040LTCOC-GLCAO]